

Message Text

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ACTION EB-08

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INFO AMEMBASSY BANGKOK
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AMEMBASSY TOKYO

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SUBJECT: INDONESIAN OIL SECTOR DEVELOPMENTS

1. EARLY RESULTS OF 1978 EXPLORATORY AND DEVELOPMENT DRILLING ARE GENERALLY ENCOURAGING. MARATHON AND CITIES SERVICE HAVE HAD OIL FINDS FROM EXPLORATORY DRILLING ALTHOUGH NEITHER IS YET CONFIRMED AS COMMERCIAL. CITIES SERVICE'S WELL IN THE JAVA SEA IS NEAR ITS EXISTING POLENG FIELD. THIS FIELD HAD BEEN SCHEDULED TO BE SHUT IN ON JULY 1 DUE TO ITS MEAGER OIL PRODUCTIN AND HIGH GAS/OIL RATIO, BUT NOW WILL REMAIN OPEN AT LEAST UNTIL OCTOBER WHILE THE COMPANY UNDERTAKES TO CONFIRM THE VALUE OF ITS NEW DISCOVERY. MARATHON'S WELL IN THE SOUTH CHINA SEA IS IN FAIRLY DEEP WATER AND THE AREA NEEDS FURTHER EVALUATION BEFORE COMMERCIAL POTENTIAL CAN BE DEFINED.

2. ITAPCO AND ARCO ARE UNDERTAKING DEVELOPMENT WORK IN THEIR
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JAVA SEA AREAS WITH BOTH COMPANIES PLANNING TO HAVE NEW PRODUCTION PLATFORMS IN PLACE BY LATE 1978 OR EARLY 1979. ITAPCO HAS ALSO HAD SOME PROMISING EXPLORATORY WELLS. BASED ON RASG DRILLING, ARCO AND ITAPCO EXPECT TO ARREST CURRENT PRODUCTION DECLINES BY EARLY 1979, AND ONE ITAPCO OFFICER OPTIMISTICALLY ESTIMATES THE COMPANY MIGHT REACH A NEW PRODUCTION HIGH IN MID-1979.

3. BASED ON SUCCESSFUL DEVELOPMENT DRILLING, TOTAL IS ALSO PLANNING TO BRING ON NEW PRODUCTION IN THE NEXT FOUR TO EIGHT MONTHS. ADDITIONALLY TOTAL IS UNDERTAKING ITS LARGEST EXPLORATORY EFFORT EVER IN INDONESIA WITH 12 EXPLORATORY WELLS IN THREE CONTRACT AREAS PLANNED AND \$50,000,000 BUDGETED FOR HIS YEAR. INDUSTRY GEOLOGISTS TELL US THAT TOTAL AREAS HAVE EXCELLENT GEOLOGICAL PROSPECTS.

4. IN GENERAL, COMPANY INTEREST IN NEW CONTRACT AREAS IN INDONESIA IS HIGH. STANVAC PLANS TO SIGN A REGULAR PRODUCTION-SHARING CONTRACT WITH PERTAMIN NEXT MONTH FOR A CENTRAL SUMATRA AREA THAT STANVAC OPERATED AND DRILLED WITHOUT SUCCESS SOME YEARS AGO. AS A RESULT OF RECENT SEISMIC WORK DONE IN CONTIGUOUS AREAS, STANVAC BELIEVES A NEW LOOK IS JUSTIFIED. PERTAMINA IS EXPECTED TO OFFER ADDITIONAL ONSHORE AREAS FOR EXPLORATION LATER THIS YEAR AND BOTH U.S. FIRMS AND FOREIGN COMPANIES ARE INDICATING STRONG INTEREST IN ACQUIRING OPERATORSHIP OF NEW AREAS.

5. SCHEDULED EXPLORATION IN IRIAN JAYA IS JUST BEGINNING TO GET OFF THE GROUND. TREND HAS COMPLETED A FOUR-WELL EXPLORATORY CAMPAIGN WITHOUT SUCCESS AND DOES NOT PLAN FURTHER EXPLORATORY DRILLING. HOWEVER, TREND'S DEVELOPMENT WORK HAS STABILIZED PRODUCTION AT SLIGHTLY ABOVE 70,000 BARRELS A DAY; A SIZEABLE DECLINE OVER LAST YEAR BUT ABOUT 30,000 BARRELS A DAY MORE THAN HAD BEEN FORECAST. PHILLIPS IS STILL ACTIVELY EXPLORING ITS AREA THAT INCLUDES THE PRODUCING SALWATI FIELD. IT WILL BE SEVERAL MONTHS BEFORE OTHER COMPANIES SUCH AS AMOSEAS, ESSO LIMITED OFFICIAL USE

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EXPLORATION, TOTAL AND CONOCO ARE READY TO DRILL IN IRIAN JAYA.

6. AT THIS POINT THAT STRENGTH IN BASIC EXPLORATION AND CONTINUING SUCCESSFUL DEVELOPMENT DRILLING APPEAR TO AUGER WELL FOR INDONESIA'S CRUDE OIL PRODUCTION, BOTH IN THE SHORT AND MEDIUM TERM. EMBASSY IS STILL COMFORTABLE WITH FORECAST OF 1.67-1.68 MILLION BARRELS A DAY PLUS OR MINUS THREE PERCENT FOR 1978. OVER THE MEDIUM TERM WE CONTINUE TO BELIEVE THAT IF CALTEX CAN HOLD OR IMPROVE EXISTING PRODUCTION LEVELS, OVERALL INDONESIAN OUTPUT CAN REMAIN ON ITS CURRENT HIGH PLATEAU OR EVEN GRADUALLY INCREASE. FOR THE NEXT SIX TO 12 MONTHS AT LEAST, MARKETING AND NOT A DECLINE IN PRODUCTIVE CAPACITY IS PROBABLY PARTAMIN'S MAIN CONCERN. MASTERS

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